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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

July 21, 1993

Mr. William F. Caton
Secretary
Federal Communications Commission
Room 222
1919 M Street, NW
Washington, DC 20554 /

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20054

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JUL 21 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Treatment of Operator
Services Under
Price Cap Regulation

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CC Docket No. 93-124

REPLY COMMENTS

MCI Telecommunications Corporation ("MCI") hereby submits comments in reply to comments filed in response to the Commission's Notice of Proposed Rulemaking ("NPRM") in the above-captioned docket.¹ In the NPRM, the Commission proposed to establish a new category in the Traffic Sensitive Basket to include rates set by local exchange carriers ("LECs") for operator services. The same banding as applies to other traffic sensitive service categories would apply. Aggregate rates in the category could move +/- 5% per year adjusted for the Price Cap Index for the basket. (NPRM, at para. 4) MCI supports this proposed Part 61 rule change.

Only LECs and the United States Telephone Association ("USTA") filed comments in response to the NPRM. They unanimously opposed the proposed Part 61 rule modification on the following bases: (1) LEC pricing behavior to date does not indicate abuse;² (2) there has been too much erosion of the limited pricing flexibility

¹ Treatment of Operator Services Under Price Cap Regulation, CC Docket No. 93-124, Notice of Proposed Rulemaking, FCC 93-203, released May 2, 1993 ("NPRM").

² Comments of BellSouth, p. 4; Comments of GTE, p. 2; Comments of Pacific Bell and Nevada Bell, p. 2; Comments of Southwestern Bell, p. 3; and Comments of the United and Central Telephone Companies, p. 2.

permitted in the original price cap plan;³ (3) there will soon be a review price caps, so a change is inappropriate at this time;⁴ (4) a new category would increase administrative burdens;⁵ (5) there is nothing unique about operator services as a new service that requires a separate category; and (6) the service should be placed in the Information Category⁶.

More importantly, many parties contended that such competition exists in the operator services market, that there is no need to decrease the LECs' pricing flexibility for these services. For example, Southwestern Bell submits that "[o]perator services must be allowed more flexibility because of the competitiveness of the market. . . ."⁷ Similarly, NYNEX contends that "[t]he operator services market is highly competitive. IXCs, LECs, and hundreds of independent companies provide operator services throughout the country."⁸ Finally, GTE believes that "[t]here are competitive alternatives to 0- Transfer Service."⁹

³ Comments of BellSouth, p. 2; Comments of Southwestern Bell p. 8; and Comments of USTA, p. 5.

⁴ Comments of Bell Atlantic, p. 3; Comments of US WEST, p. 3; and Comments of USTA, p. 5.

⁵ Comments of Bell Atlantic, p. 3; Comments of BellSouth, p. 4; Comments of the United and Central Telephone Companies, p. 3; and Comments of US WEST.

⁶ Comments of GTE, p. 3; Comments of NYNEX, p. 2; Comments of SNET, p. 3; and Comments of Rochester Telephone, p. 2.

⁷ Comments of Southwestern Bell, p. 3.

⁸ Comments of NYNEX, p. 3.

⁹ Comments of GTE, p. 3.

MCI disagrees that the services in question (operator transfer service and line status verification) are available from alternative sources. Only the LEC, with its essentially solitary domain over dial tone provision, can offer operator transfer and line status verification services. Yet, Southwestern Bell asks the Commission to believe that the dialing patterns "00-, 10XXX+0, 1-800+NXX-XXXX, 950-0/1XXX, and 0+NPA-NXX-XXXX" are substitutes for the simple "0-" dialing pattern¹⁰ that customers have gained comfort and familiarity with over decades of monopoly provision of local exchange services. It preposterously compares the simplicity of dialing a single digit to "access code dialing instructions."¹¹ Further, not a single commenting party even attempts to suggest that there is an alternative source for line verification. In fact, only Pacific Bell and Nevada Bell honestly admits that "no competitor provides [either of] these services."¹²

MCI is concerned that, once again, the LECs are seeking the proverbial regulatory cart before the horse. BellSouth notes that "the Commission must not withhold LEC pricing flexibility while competitive alternatives to LEC services proliferate."¹³ To the contrary, MCI believes that regulatory flexibility must be granted only once competitive services have begun to flourish. Granting the LEC the flexibility first will virtually guarantee that effective competition will not prevail.

¹⁰ Comments of Southwestern Bell, p. 5.

¹¹ Id., p. 4.

¹² Comments of Pacific Bell and Nevada Bell, p. 2.

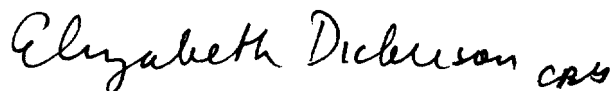
¹³ Comments of BellSouth, p. 3.

In sum, MCI does not equate the complex dialing patterns that are available to customers of interexchange carriers ("IXCs") as effective competition to operator transfer service. While there may be other methods of reaching an IXC, this is not the issue. When a customer dials "0-," the LEC alone can handle the call. Similarly, there simply is no other means of determining whether a station is in use, or merely off the hook, except to ask the LEC operator to verify the line. MCI, therefore, supports the Commission's proposal to create a separate Operator Service Category. Yet, MCI recognizes that the Commission's review of price caps is scheduled to occur in the near future. So long as that process is not delayed, MCI would not object to the Commission postponing its decision on this matter until that time.

For the foregoing reasons, MCI urges the Commission to establish a separate Operator Services Category either now, or during its first formal review of the price cap regime.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

A handwritten signature in cursive script that reads "Elizabeth Dickerson" followed by the initials "cbs".

Elizabeth Dickerson
Manager, Regulatory Analysis
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July 21, 1993

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on July 21, 1993.

Elizabeth Dickerson *ess*

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CERTIFICATE OF SERVICE

I, Carolyn McTaw do hereby certify that copies of the foregoing MCI petition were sent via first class mail, postage paid, to the following on this 21st day of

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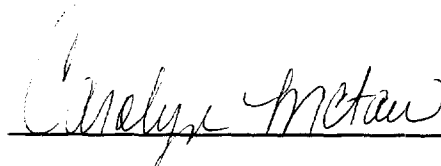
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Carolyn McTaw